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THE BATTLE FOR THE RETAIL DOLLAR

THE battle for the consumer's dollar is becoming intensified, week by week. Virtually every Sunday, the real estate sections of the newspapers announce the opening or the proposed plans for a new giant supermarket, or for a new super-dooper shopping center. In almost all cases, the shopping centers are located outside the city limits. However, the supermarkets are not confined to suburban locations.

New urban stores are primarily the result of one of the following: a consolidation of several small stores in one area, or a relocation in an older shopping district in order to provide more parking. Although some consolidation and relocation takes place in the suburban area, for the most part, new supermarkets are in shopping centers and highly populated areas not previously served.

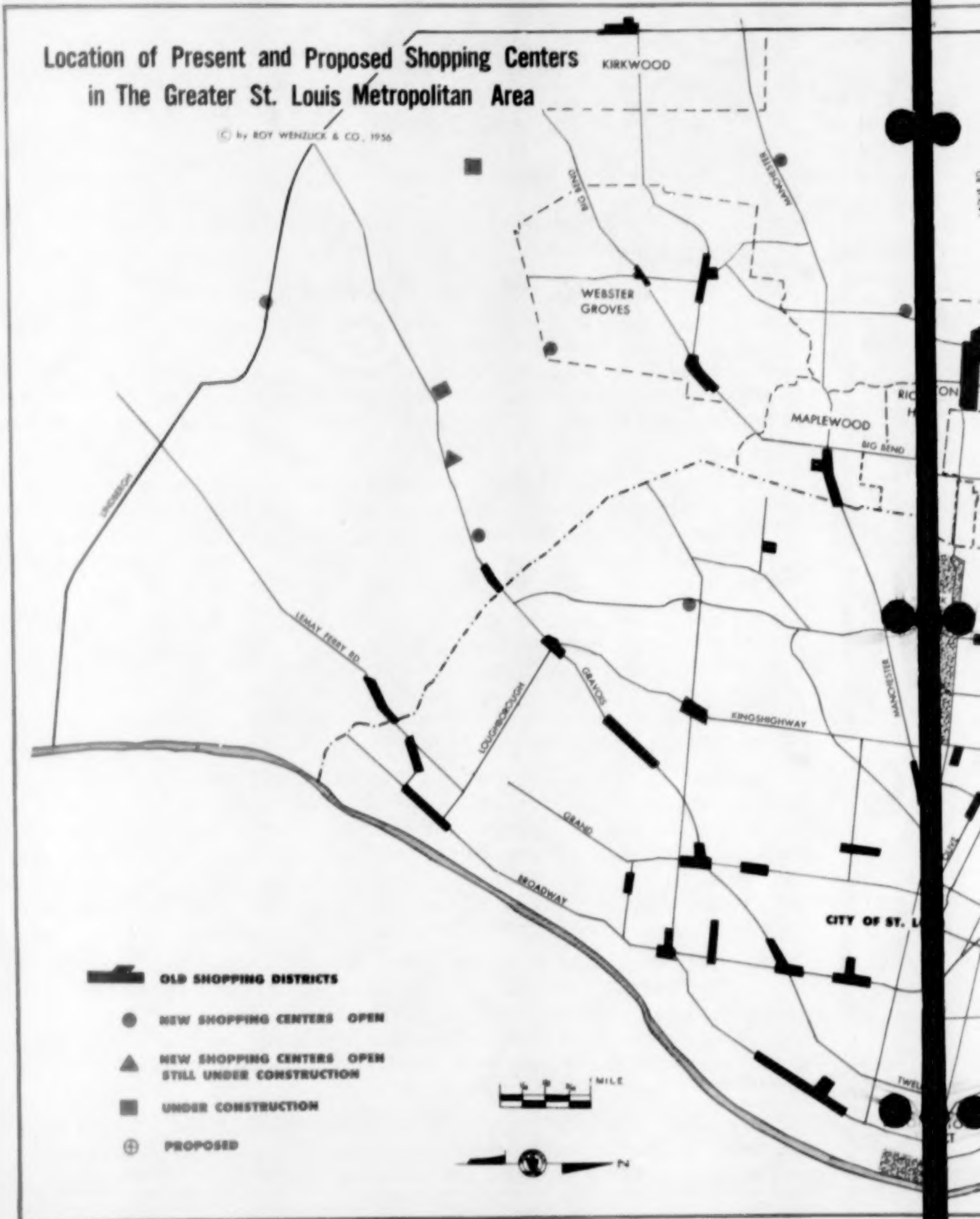
Each new opening siphons off some of the retail sales from the surrounding business districts and the little neighborhood stores. The increased vacancy and changeover to nonretail uses in the older shopping districts*, are proof of the consumer's preference to shop in a new atmosphere free of traffic congestion and limited parking space. In a few older districts, merchants have organized to provide off-street parking, but there is little they can do in regard to traffic congestion.

Although the new shopping centers are virtually 100% occupied, whether they will remain that way is very questionable. It would appear that a large number of centers might have been developed entirely too close to each other. The shopper's proximity to several centers within a 2- to 5-minute drive by automobile, incites competition among centers. Established centers find themselves having to compete, not only with new centers, but also with revitalized older shopping districts, where the merchants have organized in their fight for survival.

The map on the center spread shows both the new shopping centers and the old shopping districts in the St. Louis are. The new shopping centers are shown in red, and are divided into four stages of operation. The old shopping districts are in blue. No attempt has been made to indicate the location of supermarkets or neighborhood stores outside of districts or centers. The shopping centers' proximity to each other can be seen easily from this map.

The situation illustrated here, is not confined to the St. Louis area only. Reports received from all parts of the country indicate that this same situation exists elsewhere. Long Island is plagued with it. In fact, its five giant centers, Roosevelt

*See March 1956 Appraisal Bulletin.


Location of Present and Proposed Shopping Centers
in The Greater St. Louis Metropolitan Area
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KIRKWOOD
BIG BEND
MANCHESTER
WEBSTER GROVES
MAPLEWOOD
BIG BEND
LINDBERGH
LEMAY FERRY RD
LOUGHBOROUGH
GRAVOIS
KINGSHIGHWAY
MANCHESTER
GRAND
BROADWAY
CITY OF ST. L
OLD SHOPPING DISTRICTS
NEW SHOPPING CENTERS OPEN
NEW SHOPPING CENTERS OPEN STILL UNDER CONSTRUCTION
UNDER CONSTRUCTION
PROPOSED
MILE
N


LADUE RD
MCKNIGHT
DELMAR
UNIVERSITY
NATURAL BRIDGE
CHARLES ROCK RD
FLORISSANT
FERGUSON
FLORISSANT
EASTON
KINGSHIGHWAY
MANCHESTER
WEST FLORISSANT
BRIDGE
NATURAL
BROADWAY
BELLEFONTAINE RD
GRAND
MISSISSIPPI
RIVER

Field, Mid-Island Plaza, South Gate Center, Green Acres Shopping Center, and East Gate Plaza Center, are within short distances of each other. Four of these centers have, each, a large department store, while one center has a comparable discount house. The suburban areas of San Francisco, of Los Angeles, of Miami, and of many other cities, which have undergone large increases in population and home building activity, are mushrooming with new shopping centers. The saturation point may not be too far in the future.

Success of many new centers will depend upon their ability to meet surrounding competition. Ten years ago, competition was not nearly the problem it is today. During the past year, the redemption stamp has become the prime weapon in the battle for the retail dollar. Many centers and districts distribute stamps of only one system in order to encourage the shopper to use their plan of saving. This also promotes continued patronage because of the shopper's reluctance to save more than one type of stamp. Double stamp days are very prevalent. The independents, in addition to competition from stamps, are having to meet stiff competitive pricing from the national chains. Price cutting can easily endanger an entire center, where the major occupants are independents.

National chain stores will not insure the success of a shopping center. Some competitive advantages may exist because of their presence. A large number of developers, in order to build new centers, have found that construction and permanent financing are dependent upon their securing major store lease commitments from national chain organizations. Occupancy by one of the local major department stores may carry this same advantage. New developments having only local chain or cooperative associations as major occupants, find that suitable financing is difficult to obtain. Mortgage money that is available may be had at stiffer terms.

So long as the construction boom continues, and the population trend is to the suburbs, new shopping centers will be built. Some of these centers undoubtedly will fail. Many developments, which, 5 years ago, were on the fringe of the suburban area, now find themselves completely surrounded. They are several miles from the fringe, where new centers are now developing. These older centers, because of their isolated locations 5 years ago, were fairly free of competitive pricing. Today, many of them are faced with price battles, which will continue into the future.

In the coming years, shopping center holdings will make up a large portion of many investment portfolios. Before investing in shopping centers, look carefully into the competitive nature of the development. The new center, the tenants of which were selected upon their competitive ability, will likely be a financially sound investment. A center, though well planned, but without competitive tenants, will have a questionable future. Older shopping centers, which are on the border of financial failure, may find new life in a realignment with competitive tenants. Competitiveness is a virtue in the battle for the retail dollar.

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